

# Aim to unlock the power of **value**

Introducing

## Bandhan Nifty 500 Value 50 Index Fund

(An open-ended scheme tracking Nifty 500 value 50 Index)

**Invest Now**

NFO Opens: 14<sup>th</sup> October 2024

NFO Closes: 24<sup>th</sup> October 2024



# Factors & Factor Investing



**A Factor helps to explain or identify characteristics that drives a stock's price in the market**

eg. Ever noticed how some movies, even without a strong storyline, attract huge crowds just because of the star cast? That's the star's 'X-factor' at work!



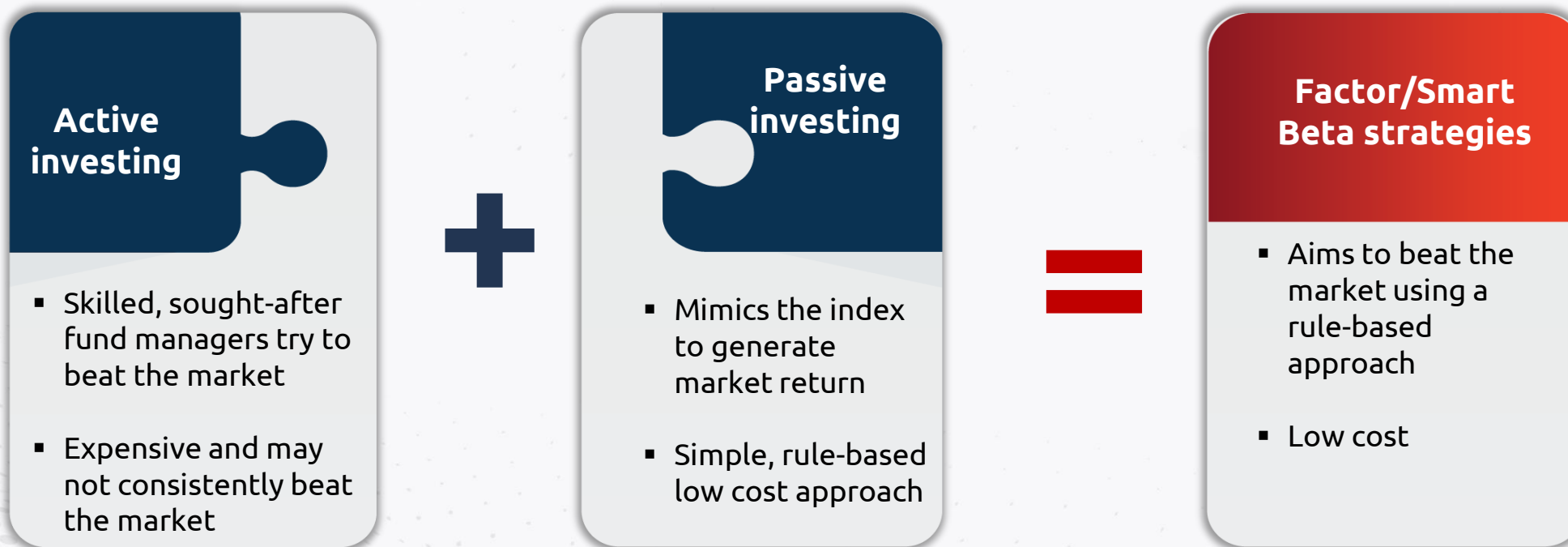
**Core idea behind factor investing is to know which specific factors, beyond the overall market make some investments do better or worse**

eg. Think of two drivers in identical cars. Their performance varies not because of the car, but due to their unique driving strategies. It's not just about having the right vehicle—it's about how you drive it.

Picking stocks with specific factors can help investors build a portfolio that may produce superior risk-adjusted returns compared to the market

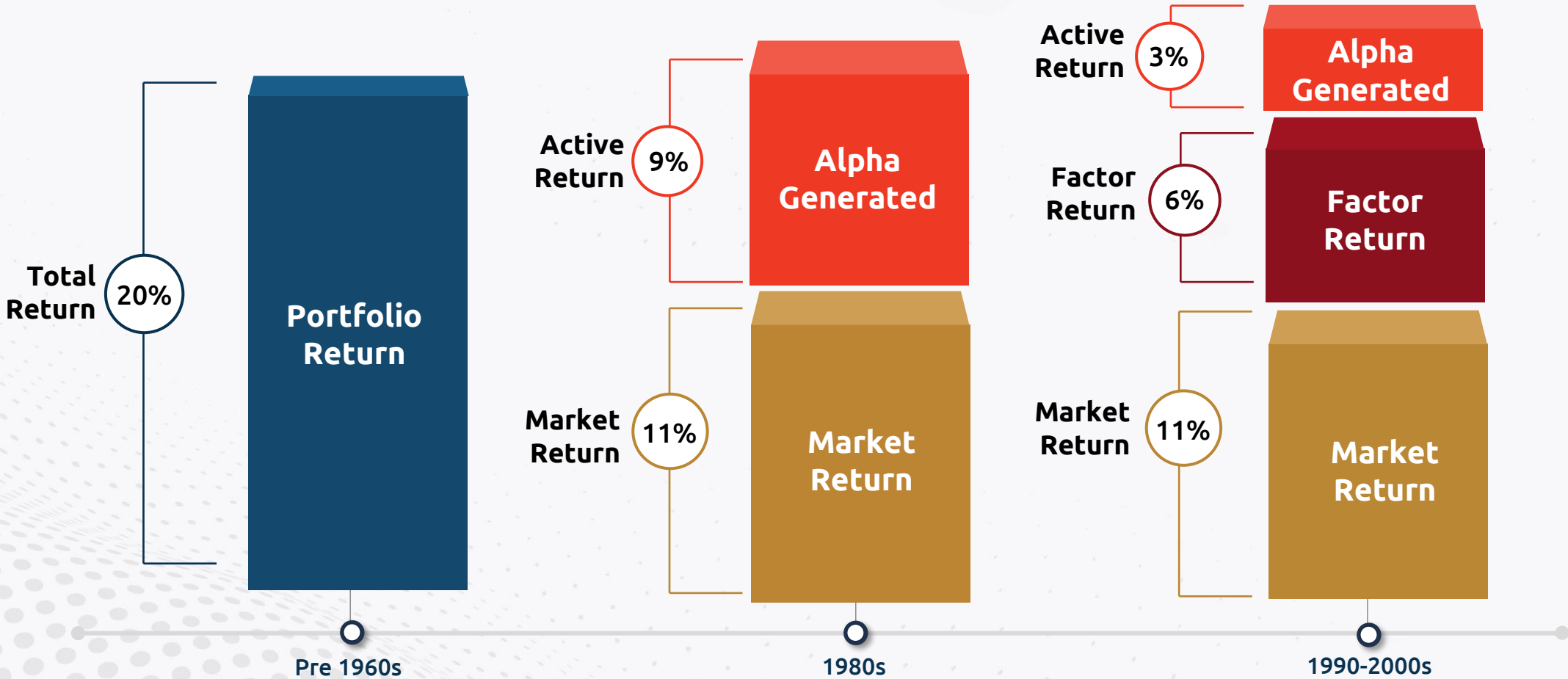
# Bridging Active and Passive Investing

'Factors' might sound new, but the concept has been part of investing for years. Active fund managers have long used these factors to manage portfolios.



# Demystifying drivers of portfolio returns

An Illustration of how portfolio return was dissected over the years



Source/Disclaimer: A brief history of factor investing- Allianz Global Investor. The above illustration assumes that fund X has delivered 20% and the return attribution over a different period. The above graph is used to explain the concept and is for illustration purposes only and should not be used for the development or implementation of an investment strategy.

# Widely used style factors

Each factor aims to capture excess return to stocks with the following characteristics



# Understanding Factor Behaviour

Different factors can be used to create tailored strategies, each targeting specific stock behaviours



# Factor investing- Benefits & Risks

## Benefits

- Backed by research and evidence.
- It follows predefined rules and does not involve subjective investment decisions.
- Can help to improve portfolio returns or reduce risks.
- Increased diversification.

## Risks

- Factors may perform differently depending on market conditions, leading to underperformance during certain market conditions.
- Timing factors can be difficult, as factors may exhibit mean-reverting or trending behavior.
- Some factors may exhibit high concentration in a certain sector or style.







## **Introducing Bandhan Nifty 500 Value 50 Index Fund**



# Value Investing principles are second nature to your daily habits

## Everyday Analogy



If you're shopping for a phone, you might wait for a sale to grab a premium model at a discounted price.

The value factor attempts to capture excess returns to stocks that have low prices relative to their fundamental value.

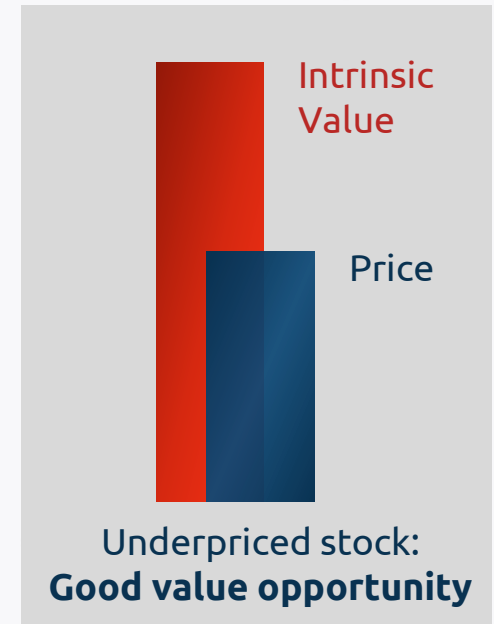
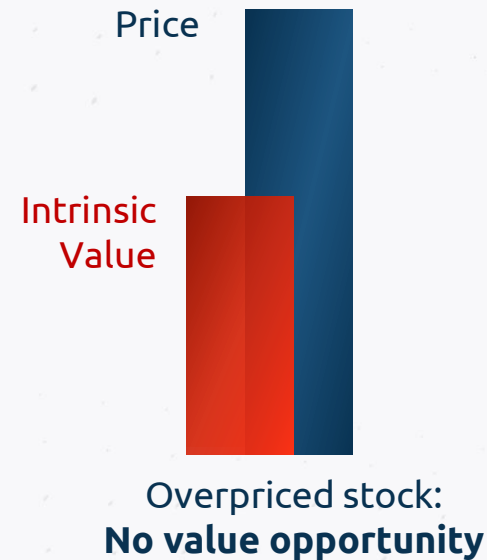


# Value Factor- Diamonds in the rough?

## What is Value Factor?

- Value investing is a strategy that targets stocks that are presumed to trade at a price lower than their intrinsic value.
- The foundation of the value factor is the notion that cheaply priced stocks outperform pricier stocks in the long-term.
- The factor takes into consideration multiple metrics focused on different areas of company valuation.
- Most common valuation metrics used are PE, PB, ROCE, and Dividend Yield.

## Why does it work?



# Nifty 500 Value 50 Index Methodology

## 1 Eligibility Criteria

Minimum listing history of 1 month



## Stock Universe 3

Nifty 500



## 2 Stock Selection

Top 50 stocks based on value score<sup>^</sup>



Free Float Mcap\* Value score subject to capping#



Weightage 4

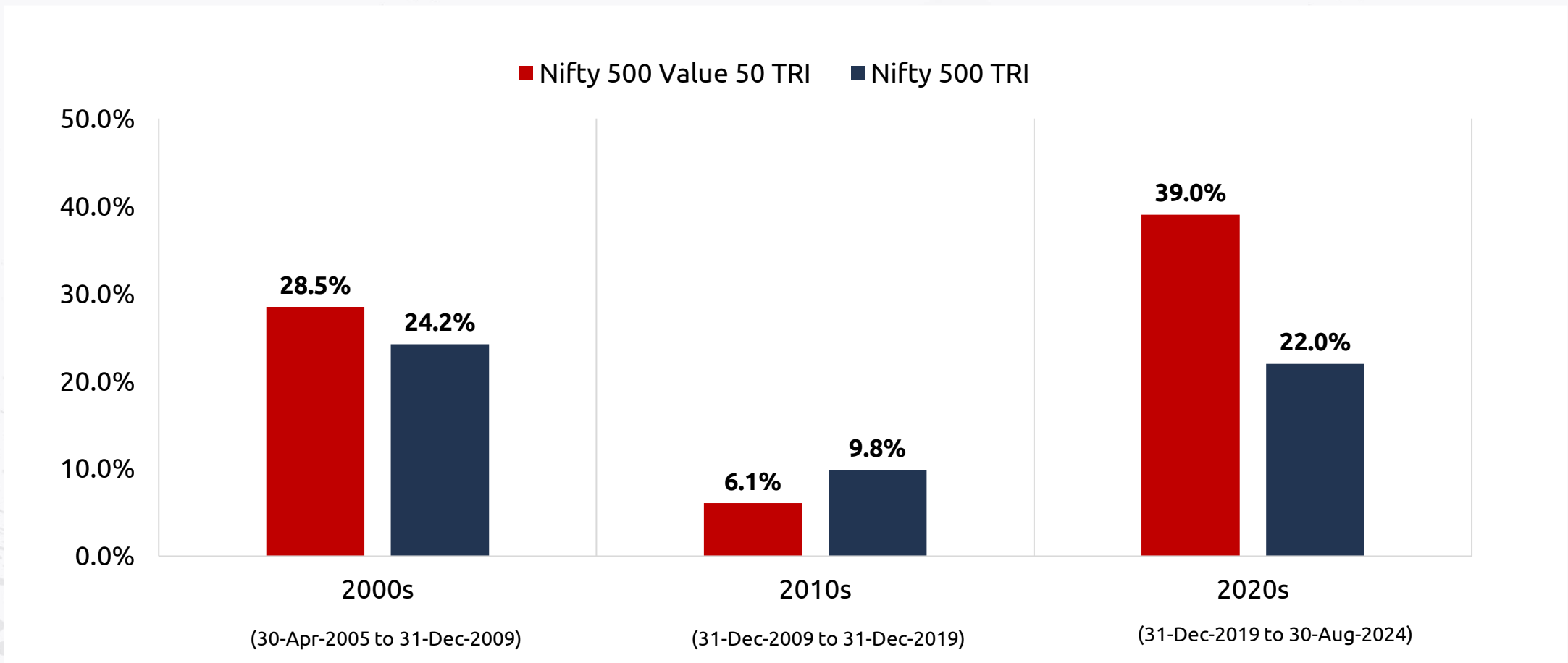
<sup>^</sup>Value score determined based on Earnings to Price ratio (E/P), Book Value to Price (B/P), Sales to Price (S/P), and Dividend Yield



Exercise repeated every 6 months (Jun and Dec) to determine entry and exit of stocks

Source:- NSE Data as of 31<sup>st</sup> Aug 24. For each eligible stock, Z score is calculated based on (E/P), (B/P), (S/P) and Dividend Yield. Each of the Z scores is then given equal weight. #Stock weights are capped at the lower of 5% or 3 times the weight of the stock in the index based only on free-float market capitalization. Each sector is capped at 25%.

# Value Factor: Resurging Stronger in the post-pandemic world



Source/Disclaimer: NSE Data. Performance as of the close of 30-April-2005 to 31-Aug-2024. Performance results have many inherent limitations and no representation is being made that any investor will or is likely to achieve. Past performance may or may not be sustained in the future. The above graph is used to explain the concept and is for illustration purposes only and should not be used for the development or implementation of an investment strategy. The value mentioned above refers to Nifty 500 Value 50

# Value has bounced back to outperform broader benchmarks

Parameter	Periodicity	Nifty 50 TRI	Nifty 500 TRI	Nifty 500 Value 50 TRI
Annualized Returns	1 year	32.6%	41.6%	86.6%
	3 year	15.2%	18.9%	43.5%
	5 year	19.4%	22.7%	37.8%
	10 year	13.6%	15.3%	18.9%
Annualized Volatility	1 year	13.1%	14.2%	25.4%
	3 year	14.1%	14.5%	21.3%
	5 year	19.1%	18.6%	24.7%
	10 year	16.5%	16.3%	23.5%
Risk Adj. Return	1 year	2.48	2.92	3.42
	3 year	1.08	1.31	2.04
	5 year	1.02	1.22	1.53
	10 year	0.83	0.94	0.80

- Value Strategy outperformed broader indices across tenure
- The strategy generated higher risk adjusted return with relatively elevated volatility

Source/Disclaimer: NSE Data. Performance as of the close of 31-August-2024. Performance results have many inherent limitations, and no representation is being made that any investor will or is likely to achieve. Past performance may or may not be sustained in the future. The above table is used to explain the concept and is for illustration purposes only and should not be used for the development or implementation of an investment strategy.

# Sector Allocation

Macro-economic sector	Jun-19	Dec-19	Jun-20	Jan-21	Jun-21	Dec-21	Jun-22	Dec-22	Jun-23	Dec-23	Jun-24
Financial Services	22.4%	25.0%	23.4%	23.7%	22.9%	20.1%	24.0%	25.4%	25.6%	24.9%	24.9%
Industrials	4.3%	5.3%	7.3%	3.3%	3.7%	1.1%	0.9%	1.0%	0.5%	0.7%	0.9%
Consumer Discretionary	12.6%	4.0%	2.8%	5.6%	8.2%	2.0%	2.4%	4.3%	3.0%	0.8%	0.0%
Information Technology	0.6%	0.3%	0.7%	0.6%	0.0%	0.0%	0.0%	0.0%	0.6%	0.5%	0.0%
Healthcare	0.7%	0.2%	0.0%	0.0%	0.0%	0.0%	2.3%	1.4%	2.2%	0.0%	0.0%
FMCG	0.0%	0.0%	0.0%	0.0%	0.0%	4.9%	5.1%	0.0%	0.0%	0.0%	0.0%
Commodities	28.1%	27.6%	27.0%	25.7%	26.1%	26.7%	23.8%	28.4%	29.0%	32.7%	35.0%
Utilities	8.2%	7.7%	11.4%	9.8%	9.3%	11.8%	12.1%	12.1%	12.0%	12.6%	11.1%
Energy	21.8%	22.5%	25.6%	29.1%	28.4%	29.7%	25.4%	24.9%	24.9%	24.8%	25.1%
Telecommunication	0.0%	5.0%	0.0%	0.0%	0.0%	2.1%	3.0%	0.0%	0.0%	0.0%	0.0%
Services	1.3%	1.9%	1.4%	2.2%	1.4%	1.4%	1.1%	2.5%	2.2%	2.9%	3.0%

The Value Strategy is more inclined to certain sectors on a consistent basis

# Market capitalization

Index allocation to Market Capitalization	Jun-19	Dec-19	Jun-20	Jan-21	Jun-21	Dec-21	Jun-22	Dec-22	Jun-23	Dec-23	Jun-24
Large Cap	62.7%	64.3%	51.5%	54.5%	51.5%	61.7%	58.6%	53.7%	56.9%	66.8%	67.6%
Mid Cap	18.1%	19.1%	29.1%	29.2%	29.5%	30.3%	33.6%	32.5%	30.4%	18.4%	16.8%
Small Cap	19.2%	16.6%	19.4%	16.3%	19.1%	8.0%	7.8%	13.8%	12.7%	14.7%	15.6%
Grand Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

The value factor is more inclined towards large cap

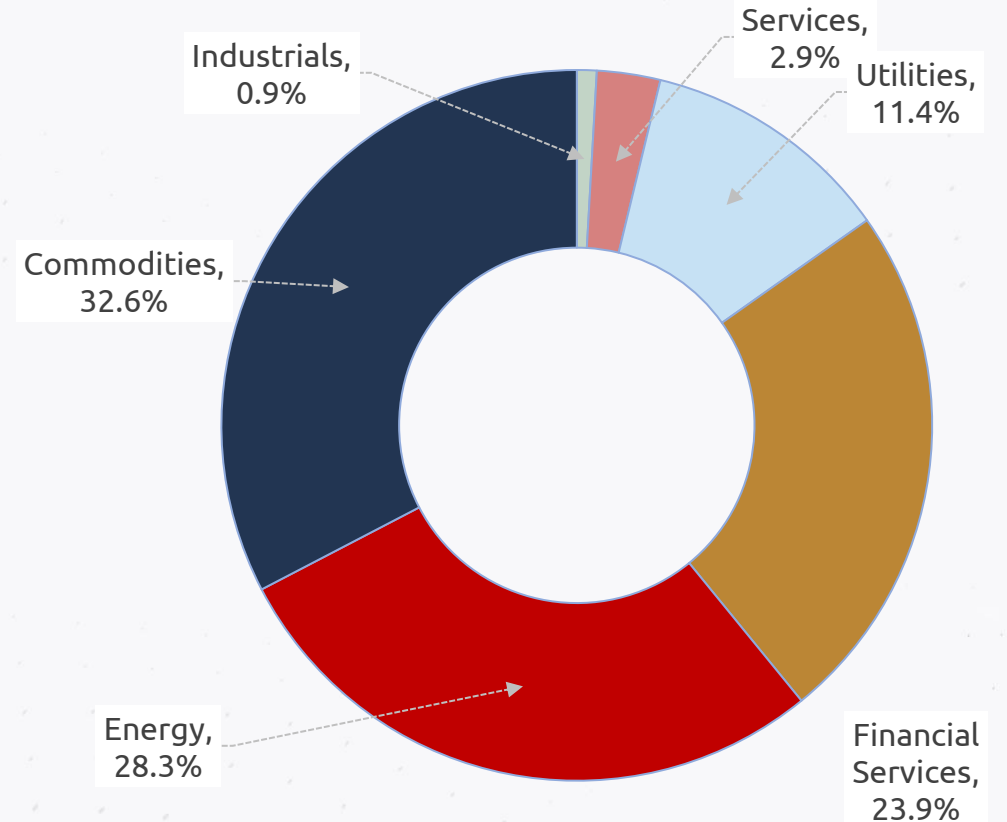


# Nifty 500 Value 50 Index - Top 10 Stock Holdings & Index Sector

## TOP 10

Sr. No	Stock Name	Macroeconomic Sector	Weight
1	ONGC Ltd.	Energy	5.9%
2	NTPC Ltd.	Utilities	5.5%
3	Coal India Ltd.	Energy	5.3%
4	Grasim Industries Ltd.	Commodities	5.1%
5	Vedanta Ltd	Commodities	4.9%
6	Power Grid Corporation	Utilities	4.9%
7	Hindalco Industries Ltd.	Commodities	4.8%
8	State Bank Of India	Financial Services	4.6%
9	Indian Oil Corporation	Energy	4.3%
10	Tata Steel Ltd.	Commodities	4.1%
<b>Total</b>			<b>49.3%</b>

## Macro-economic Sector Classification



Source/Disclaimer: NSE data as on 31<sup>st</sup> Aug 2024; Macro-economic sector based on AMFI classification. The sectors/stocks mentioned above are for illustration purposes and should not be used for development/implementation of an investment strategy. The sector may/may not be part of our portfolio/strategy/scheme. It may not be construed as investment advice to any party.

# Limitations to the Value Strategy

Undervalued stocks may take time to realize potential, leading to extended periods of underperformance



May witness deeper and longer drawdowns compared to broader indices



Value strategies may exhibit greater sector concentration



# Who should invest?

**1** Investors seeking to benefit from unlocking 'Value Opportunities'.

**2** Investors having a very long-term investment horizon.

**3** Investors with tolerance for significant drawdowns.



# Key Takeaways



Value investing targets stocks believed to be trading below their intrinsic value, based on the principle that cheaper stocks tend to outperform more expensive ones over the long term.

1



The Nifty 500 Value 50 Index captures the performance of the top 50 with a high value score. The Value score is determined based on Earnings to Price ratio (E/P), Book Value to Price (B/P), Sales to Price (S/P), and Dividend Yield.

2



After an uneventful last decade, the value factor has come back roaring, reinforcing its relevance and potential for long-term investment success.

3



The Nifty 500 Value 50 Index has outperformed the broader indices across period, albeit with higher volatility.

4



Value as a factor may witness extended periods of underperformance and can exhibit high sector concentration.

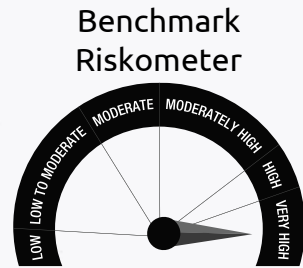
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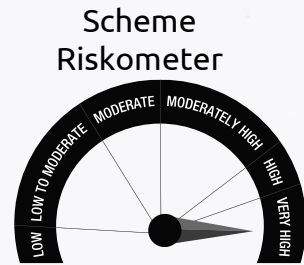
# Bandhan Nifty 500 Value 50 Index Fund Details

<b>Type of scheme</b>	An open-ended scheme tracking Nifty 500 value 50 Index
<b>NFO Dates</b>	<b>14<sup>th</sup> to 24<sup>th</sup> October 2024</b>
<b>Benchmark</b>	Nifty 500 Value 50 TRI
<b>Exit Load</b>	<ul style="list-style-type: none"><li>• 0.25% - if redeemed on or before 15 days from the allotment date</li><li>• Nil – if redeemed after 15 days from the allotment date</li></ul>
<b>Fund Manager</b>	Mr. Nemish Sheth
<b>Investment Objective</b>	The investment objective of the Scheme is to replicate the Nifty 500 Value 50 Index by investing in securities of the Nifty 500 Value 50 Index in the same proportion/weightage with an aim to provide returns before expenses that track the total return of the Nifty 500 Value 50 Index, subject to tracking errors. However, there is no assurance or guarantee that the objectives of the scheme will be realized and the scheme does not assure or guarantee any returns.
<b>Minimum application amount</b>	<b>Lumpsum purchase</b> – Rs. 1000/- and in multiples of Re. 1/- thereafter Additional purchase – Rs. 1000/- and in multiples of Re. 1/- thereafter <b>Repurchase/Redemption</b> – Rs. 500/- or the account balance of the investor, whichever is less <b>SIP</b> - Rs. 100/- and in multiples of Re. 1 thereafter [Minimum 6 installments] <b>SWP</b> - Rs. 200/- and any amount thereafter <b>STP</b> - Rs. 500/- and any amount thereafter

# Disclosure & Product Label



Nifty 500 Value 50 Index



Investors understand that their principal will be at Very High risk

## Bandhan Nifty 500 Value 50 Index Fund

An open - ended scheme tracking Nifty 500 Value 50 Index

This product is suitable for investors who are seeking\*:

- Create wealth over a long term.
- Investment in equity and equity related instruments forming part of Nifty 500 Value 50 Index.

\*Investors should consult their financial advisers if in doubt about whether the product is suitable for them.

### MUTUAL FUND INVESTMENTS ARE SUBJECT TO MARKET RISKS, READ ALL SCHEME RELATED DOCUMENTS CAREFULLY.

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# Thank You